

Message Text

LIMITED OFFICIAL USE

PAGE 01 KUALA 04938 01 OF 02 120410Z

11

ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-01

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-20

USIA-06 AID-05 COME-00 EB-04 FRB-01 TRSE-00 XMB-02

OPIC-06 CIEP-01 LAB-01 SIL-01 OMB-01 DOTE-00 FEA-01

INT-05 SCI-02 EUR-08 DRC-01 /096 W

----- 103803

R 120315Z OCT 74

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 8163

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

CINCPAC HONOLULU

LIMITED OFFICIAL USE SECTION 1 OF 2 KUALA LUMPUR 4938

CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: ECON, MY

SUBJ: KEY MALAYSIAN OFFICIALS EXPRESS INTEREST IN
PRESIDENT FORD'S ANTI-INFLATION PROGRAM AND U.S.
ECONOMY

REF: A. KL 4544; B. KL 4493

1. SUMMARY. DEPUTY PRIME MINISTER AND FINANCE MIN-
ISTER, UPON RETURN FROM IBRD MEETING IN WASHINGTON,
DC, EXPRESSED TO CHARGE VITAL INTEREST OF GOM IN
PRESIDENT FORD'S ECONOMIC ADDRESS TO CONGRESS AND
PROSPECTS FOR U.S. ECONOMY. DOWNTURNS IN U.S. ECONOMY
STRONGLY AFFECT MALAYSIAN ECONOMY ESPECIALLY IN RUBBER
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 KUALA 04938 01 OF 02 120410Z

AND TIMBER INDUSTRIES. COMMENTS BY DEPUTY PM

REITERATE INTEREST EXPRESSED PREVIOUSLY BY GOM ECONOMIC PLANNERS IN U.S. MARKETS, INVESTMENT, AND INFLATION CONTROLS. REVERSE SIDE OF COIN IS THAT U.S. INTERESTED IN ASSURED SUPPLIES MALAYSIAN RUBBER, TIN, TIMBER, AND PALM OIL AND IN PARTICIPATING IN OIL EXPLORATION AND DEVELOPMENT DOWSTREAM PETROLEUM

FACILITIES IN MALAYSIA. END SUMMARY.

2. LAST EVENING CHARGE WAS AMONG NUMBER DIPLOMATS AND MALAYSIAN GOVT OFFICIALS WHO WELCOMED DEPUTY PRIME MINISTER AND FINANCE MINISTER HUSSEIN ONN AT AIRPORT UPON HIS RETURN FROM COMMONWEALTH FINANCE MINISTERS' CONFERENCE IN OTTAWA AND WORLD BANK MEETING IN WASHINGTON, DC, AND WAS SINGLED OUT BY DEPUTY PM FOR DETAILED QUESTIONING ON PRESIDENT FORD'S ECONOMIC MESSAGE TO CONGRESS. DEPUTY PM EXPLAINED THAT GOM IS VITALLY INTERESTED IN HEALTH OF U.S. ECONOMY AND THAT HE HAD NOT HAD OPPORTUNITY TO REVIEW SPEECH EN ROUTE FROM WASHINGTON, DC. SHORTLY THEREAFTER MINISTER OF PRIMARY INDUSTRIES DATUK MUSA HITAM ALSO EXPRESSED KEEN INTEREST IN PRESIDENT'S SPEECH AND OUTLOOK FOR U.S. ECONOMY, EXPLAINING THAT MALAYSIA VERY DEPENDENT ON U.S. AS EXPORT MARKET FOR PRIMARY PRODUCTS, ESPECIALLY RUBBER, TIN, PALM OIL, AND TIMBER. IF, FOR EXAMPLE, AUTOMOBILE PRODUCTION DROPS OFF DRAMATICALLY OR AMERICAN CONSUMERS SWITCH TO SMALLER CARS, RUBBER EXPORTS FROM MALAYSIA ARE DRASTICALLY AND ADVERSELY AFFECTED.

3. CHARGE'S AIRPORT DISCUSSIONS POINT UP INTENSE INTEREST BY GOM IN U.S. ECONOMY. OTHER GOM OFFICIALS IN ECONOMIC PLANNING UNIT, CENTRAL BANK, TREASURY, AND DEPARTMENT OF STATISTICS, WHICH ARE MAIN GOVT BODIES RESPONSIBLE FOR GOM ECONOMIC PLANNING AND POLICIES, HAVE PREVIOUSLY EXPRESSED SIMILAR INTERESTS BECAUSE CONDITION AND PROGNOSTICATION OF U.S. ECONOMY ARE BASIC INPUTS TO SHORT AND LONG-TERM FORECASTS ON MALAYSIAN ECONOMY. INTEREST IN U.S. ECONOMY BY MALAYSIAN GOVT PLANNERS AND POLICY-MKAERS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 KUALA 04938 01 OF 02 120410Z

FOCUSES ON THREE AREAS:

A. TRADE -- UNITED STATES IS LARGEST SINGLE BUYER OF MALAYSIAN RUBBER AND A MAJOR MARKET FOR MALAYSIAN TIN, PALM OIL, AND TIMBER PRODUCTS (BOTH DIRECTLY IN FORM OF PLYWOOD AND MOLDINGS VIA JAPAN WHICH IS BIGGEST CUSTOMER FOR SAWN LOGS). A DOWNTURN IN U.S. MARKETS FOR THESE PRODUCTS, SUCH AS IS CURRENTLY HAP-

PENING FOR RUBBER AND TIMBER, REVERBERATES THROUGHOUT MALAYSIA'S ECONOMY. LAG TIME BEFORE MALAYSIA BEGINS TO FEEL SHOCK WAVES IS USUALLY ABOUT SIX MONTHS, THUS FALLOFF OF AUTOMOBILE PRODUCTION IN U.S., EC, AND JAPAN IN LATE 1973 AND FIRST HALF 1974 BEGAN TO SERIOUSLY AFFECT MALAYSIAN RUBBER EXPORTS DURING JUNE-JULY THIS YEAR AND CURRENT PRICE OF ABOUT M\$1.45 PER KILO (US \$0.60) DOWN FROM M\$ 2.77 PER KILO (US\$ 1.15) A YEAR AGO ATTESTS THIS FACT. EXPORT EARNINGS STILL

UNDER IN MALAYSIAN ECONOMY AND PROVIDE PRIMARY SOURCE OF FINANCING FOR AMBITIOUS AND COSTLY DEVELOPMENT PROJECTS OF NEW ECONOMIC POLICY EMBODIED IN SECOND MALAYSIAN PLAN 1971-75 AND THIRD MALAYSIA PLAN 1976-80, WHICH IN PROCESS OF FORMULATION.

B. U.S. INVESTMENT -- TO ENSURE SUCCESS OF NEW ECONOMIC POLICY IN AREAS OF ERADICATING POVERTY AND RESTRUCTURING MODERN SECTOR OF ECONOMY TO CORRECT ECONOMIC IMBALANCE AMONG RACES, I.E., BUMIPUTRAS (INDIGENOUS MALAYS) WILL HAVE 30 PERCENT PARTICIPATION IN EQUITY OWNERSHIP AND EMPLOYMENT BY 1990, GOM REQUIRES LARGE DOSES OF FOREIGN INVESTMENT. DURING PAST THREE YEARS U.S. INVESTMENT HAS DOUBLED FROM APPROX. US\$250 MILLION TO US\$500 MILLION. ELECTRONICS FIRMS FLOCKED TO MALAYSIA IN LARGE NUMBERS DURING PAST THREE YEARS, BUT CURRENT EMPHASIS BY GOM IS AWAY FROM ELECTRONIC FIRMS TO ENCOURAGING FIRMS PROCESSING MALAYSIA'S PRIMARY COMMODITIES TO ADD VALUE BEFORE EXPORT. GOM HAS REVISED INVESTMENT POLICIES DURING RECENT MONTHS TO REQUIRE A MINIMUM OF 30 PERCENT LOCAL PARTICIPATION IN ALL NEW FOREIGN MANUFACTURING FACILITIES LOCATING IN MALAYSIA AND 51 PERCENT LOCAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 KUALA 04938 01 OF 02 120410Z

EQUITY PARTICIPATION OF WHICH 30 PERCENT MUST BE BUMIPUTRA FOR FIRMS PRODUCING PRIMARILY FOR DOMESTIC MARKET. MALAYSIAN GOVT VIEWS U.S. INVESTMENT AS IMPORTANT CONTRIBUTION ECONOMIC DEVELOPMENT AND AS COUNTERBALANCE TO OTHER FOREIGN INVESTMENT, PARTICULARLY JAPANESE. FOR FUTURE, GOM WILL CONTINUE LOOK TO U.S. FIRMS FOR OIL EXPLORATION AND PROBABLY WILL COUNT HEAVILY ON U.S. INVESTMENT IN DOWNSTREAM PETROCHEMICAL FACILITIES.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 KUALA 04938 02 OF 02 120407Z

11

ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-01

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-20

USIA-06 AID-05 COME-00 EB-04 FRB-01 TRSE-00 XMB-02

OPIC-06 CIEP-01 LAB-01 SIL-01 OMB-01 DOTE-00 FEA-01

INT-05 SCI-02 EUR-08 DRC-01 /096 W

----- 103834

R 120315Z OCT 74

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 8164

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

CINCPAC HONOLULU

LIMITED OFFICIAL USE SECTION 2 OF 2 KUALA LUMPUR 4938

CINCPAC FOR POLAD

C. INFLATION CONTROL -- MALAYSIAN GOVT VITALLY INTER-
ESTED IN ANTI-INFLATION MEASURES ADOPTED BY U.S. GOVT.
AS WITH MOST COUNTRIES TODAY, INFLATION IS NUMBER ONE
DOMESTIC ECONOMIC PROBLEM IN MALAYSIA. EMBASSY HAS
RECEIVED NUMEROUS INQUIRIES IN PAST FROM GOVT OFFICIALS
FOR DETAILED INFORMATION ON COST OF LIVING COUNCIL,
PRICE FREEZE, U.S. NEW ECONOMIC POLICY, ETC. INFLA-
TION IS NEW EVIL ECONOMIC DRAGON FOR MALAYSIA, HAVING
GROWN FROM 3.5 PERCENT IN 1972 TO PRESENT MENACING
PROPORTIONS OF 16-20 PERCENT RATE, AND GOM GROPING
FOR EFFECTIVE WEAPONS TO CUT RATE TO MANAGEABLE SIZE.
HENCE GOM IS INTERESTED IN SUCCESSES AND FAILURES
OF U.S. GOVT ACTIONS TO COMBAT INFLATION WHICH MIGHT
BE APPLICABLE MALAYSIAN ECONOMY. LOCAL NEWSPAPERS, PAR-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 KUALA 04938 02 OF 02 120407Z

TICULARLY GOVT-INFLUENCED NEW STRAITS TIMES, HAVE GIVEN
PRESIDENT'S SPEECH FRONT-PAGE HEADLINE ATTENTION PERHAPS TO
SET THE SCENE FOR ANTI-INFLATIONARY STEPS HERE.

D. COMMENT. ALTHOUGH U.S. INTERESTS HERE DO NOT IN-
VOLVE TROOPS OR MILITARY BASES ON MALAYSIAN SOIL OR
BI-LATERAL AID ASSISTANCE WITH THIS RELATIVELY PROS-
PEROUS DEVELOPING COUNTRY, ECONOMIC AND COMMERCIAL TIES
BETWEEN THE TWO COUNTRIES WILL MARKEDLY INCREASE IN
IMPORTANCE IN COMING YEARS.
DILLON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, PRESIDENT, RUBBER, TIMBER, PETROLEUM, POLITICAL SITUATION, SPEECHES, US CONGRESSIONAL PRESENTATIONS, ECONOMIC PROGRAMS, ANTIIN FLATIONARY PROGRAMS, INTERGOVERNMENTAL COOPERATION, FOREIGN INVESTMENTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KUALA04938
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740290-1139
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741049/aaaabpyd.tel
Line Count: 234
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. KL 4544; B. KL 4493
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2002 by ifshinsr>; APPROVED <19-Aug-2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KEY MALAYSIAN OFFICIALS EXPRESS INTEREST IN PRESIDENT FORD'S ANTI-INFLATION PROGRAM AND U.S.
TAGS: ECON, MY, US, (FORD, GERALD R)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005